



WEEKLY ECONOMIC DIGEST

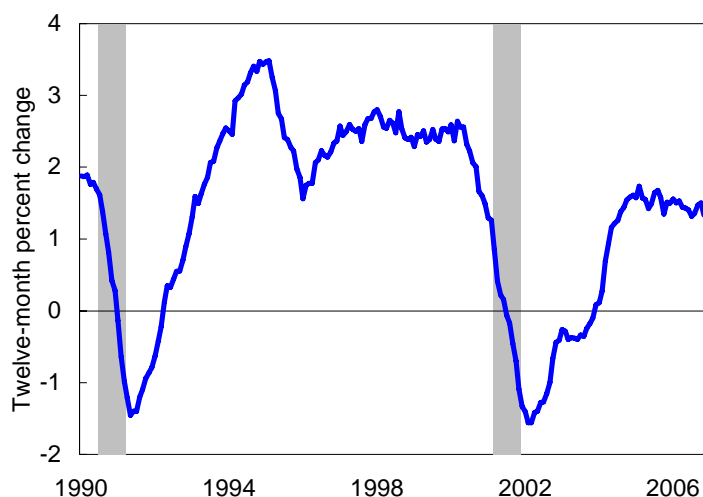


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

December 12, 2006

November's Labor Market Data Leave Fed in Wait-and-See Mode

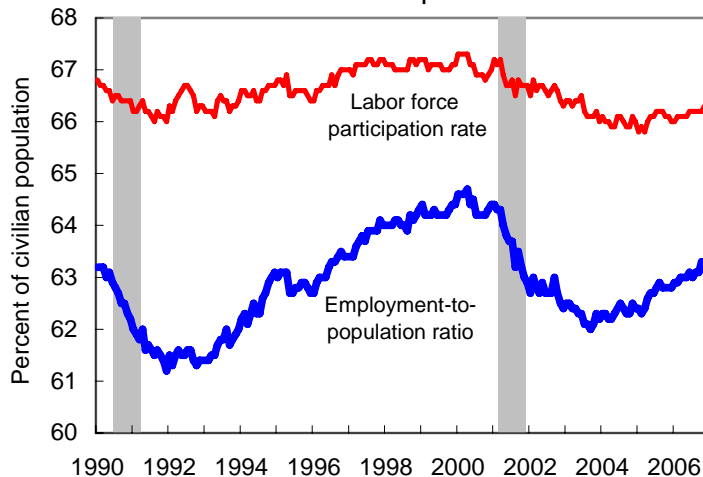
Change in Nonfarm Payroll Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

- **Employers added 132,000 jobs in November.** Payroll employment at nonfarm establishments rose by 132,000 jobs last month. That is more than the 79,000 jobs added in October, but payroll employment has grown by just 1.3 percent (149,000 jobs per month) over the past 12 months. That growth is well below the pace of job creation during the expansion of the 1990s (see top chart).
- **The unemployment rate edged higher last month.** The civilian unemployment rate rose by 0.1 percentage point to 4.5 percent in November. A modest increase in labor force participation raised the percentage of the population either working or looking for a job by 0.1 percentage point to 66.3 percent, while the percentage of the population with a job was unchanged at 63.3 percent. Both of those percentages remain lower than they were at the start of the recession in March 2001 (see bottom chart).

Civilian Employment-to-Population Ratio and Labor Force Participation Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: The gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Wage growth moderated in November.** The average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls grew by 0.2 percent last month, after posting a 0.4 percent gain in October. Current forecasts suggest that consumer price increases will turn out to have offset November's wage gains, leaving real (inflation-adjusted) wages flat.
- **The trade deficit narrowed in October.** Exports rose by \$0.3 billion while imports declined by \$5.1 billion in October, lowering the trade deficit by \$5.4 billion to \$58.9 billion. Lower oil prices and reduced oil purchases accounted for most of the decline in imports. Nevertheless, the trade deficit remains unsustainably large and is on pace to set another annual record this year.
- **The Fed left its interest rate target unchanged.** At the close of its policy meeting earlier today, the Federal Reserve announced its intention to keep its target for the federal funds rate unchanged at 5¼ percent. The Fed said that future actions would continue to depend on the outlook for both economic growth and inflation.

The Economy at a Glance	Nov	Oct	Sep	Aug	2006 Qtr 3	2006 Qtr 2	2006 Qtr 1	2005 Qtr 4	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	2.2	2.6	5.6	1.8	3.2	3.9
Industrial Production (% growth)*	n.a.	2.4	-7.0	3.7	4.2	6.6	5.1	5.3	3.3	4.1
Capacity Utilization (level, %)*	n.a.	82.2	82.1	82.7	82.5	82.0	81.1	80.5	80.0	78.6
Civilian Unemployment Rate (level, %)	4.5	4.4	4.6	4.7	4.7	4.7	4.7	5.0	5.1	5.5
Housing Starts (thousands)	n.a.	1486	1740	1659	1720	1873	2123	2060	2073	1950
Real Disposable Personal Income (% growth)	n.a.	7.0	10.5	3.6	3.7	-1.5	4.6	5.5	1.2	3.6
Retail Sales (% growth)*	n.a.	-4.3	-7.3	0.2	3.6	3.3	13.1	2.3	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-0.6	-0.7	-1.3	-1.3	-1.4	-0.3	-0.3	-0.4	2.0
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	-5.8	-5.8	2.4	2.9	5.0	2.2	3.2	3.4	2.7
Core CPI-U Inflation (% growth)*	n.a.	1.2	2.4	2.4	3.0	3.5	2.4	2.4	2.2	1.8
Compensation per hour (% growth)	—	—	—	—	4.1	3.6	2.4	3.2	3.3	3.7
Output per hour (% growth)	—	—	—	—	0.2	1.2	4.3	-0.1	2.3	3.0
Financial Markets										
T-bill Rate, 3-month (level, %)	4.94	4.92	4.81	4.96	4.91	4.70	4.39	3.83	3.15	1.37
T-note Rate, 10-years (level, %)	4.60	4.73	4.72	4.88	4.90	5.07	4.57	4.49	4.29	4.27
Federal Funds Rate (level, %)	5.25	5.25	5.25	5.25	5.25	4.91	4.46	3.98	3.22	1.35
Dow Jones Industrial Avg (index level)	12185	11963	11534	11257	11274	11189	10996	10616	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Upcoming Economic Releases:

- **Advance Monthly Sales for Retail and Food Services: November 2006** [Release: Wednesday, December 13]
- **U.S. Import and Export Price Indexes: November 2006** [Release: Thursday, December 14]
- **Consumer Price Index: November 2006** [Release: Friday, December 15]
- **Industrial Production and Capacity Utilization: November 2006** [Release: Friday, December 15]
- **U.S. International Transactions: Third Quarter 2006** [Release: Monday, December 18]